



Jeff Starr
Senior Vice President
Operational Services

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Securities Information Processor (SIP) Operating Committees

Re: Odd Lots Proposal

Dear SIP Operating Committees:

Schwab appreciates the Operating Committees' willingness to consider expanding the content of the SIP data feeds and enhancing the transparency of odd lot data. Schwab is generally supportive of the goal to provide more visibility and accessibility for investors into the odd lot data that is currently excluded from the NBBO feeds. However, the framework of the current proposal does not go far enough to materially improve the investing process for the retail client.

If the proposal was adopted as currently written, Schwab would most likely not display the odd lot quote data to clients. Displaying an odd lot bid or ask inside the NBBO could lead to confusion and questioning. For example, if a client's market order is not executed at the better price, or if a "stop" order is not triggered, explaining the nuances of the Order Protection Rule and why it does not apply in these situations is not a simple discussion, and may not adequately resolve people's concerns. Also, if the current proposal is adopted, firms should have the option to consume a version of the feed that does not include the odd lot messages. In this way, firms with no intention of using or displaying the odd lot data are not forced to filter out the data themselves.

Schwab believes that if the odd lot data is important enough to add to the SIP feeds, then it should also be protected quote data. To this end, we would be supportive of redefining the round lot size for higher priced shares to be some number lower than 100. This could be done with multiple tiers based on share price ranges. To avoid intra-day changes from one tier to another, a security's tier could be determined based on the previous day's close price or average close price over some period of time, and remain fixed in that tier for the duration of at least a full trading day.

Limiting the tiers to a small number for simplicity sake would be preferred. We believe two or three tiers would probably be adequate. Included in this analysis should be whether equity option contract sizes should be changed to equal the underlying equity round lot size.

Schwab has long advocated for improvement of the SIP feeds to level the playing field and solve the information and latency asymmetry between retail and institutional investors. True comprehensive reform would include other improvements such as additional levels of depth. Short of that, expanding

the content and quote protection as noted above would be a step in the right direction. Thank you for your consideration.

Sincerely,

Jeff Starr
Senior Vice President